

APPENDIX A

COMAR 10.09.10.10I/10.09.11.10I

I. When applying the provisions of §§G and H of this regulation, the noninvestor-operated facility shall be assumed to have the following for the calculation of §C of this regulation:

(1) Debt equal to the amount which would remain outstanding at the midpoint of the rate year if the:

(a) Original amount mortgaged was equal to 85 percent of the appraised value of the facility at the time the provider's original lease for the facility was executed;

(b) Appraised value determined pursuant to §L of this regulation for any noninvestor-operated facility with an initial lease executed before March 31, 1983 will be deflated by 5 percent per year for the purpose of determining the appraised value in §I(1)(a) of this regulation; and

(c) Original mortgage was taken for a 20-year period with amortization calculated with constant payments and the interest rate as defined in §I(2) or (3) of this regulation.

(2) A mortgage interest rate for the year equal to the lesser of:

(a) The moving average of the previous 6 months for the Treasury Bond Composite (greater than 10 years) rate on the provider's original lease date plus 2 percentage points, unless the original financing by the owner of the facility was tax exempt in which case 70 percent of the average of the previous 6 months for the Treasury Bond Composite (greater than 10 years) rate plus 2 percentage points; or

(b) The moving average of the previous 24 months for the Treasury Bond Composite (greater than 10 years) rate on the provider's original lease date plus 2 percentage points, unless the original financing by the owner of the facility was tax exempt in which case 70 percent of the average of the previous 24 months for the Treasury Bond Composite (greater than 10 years) rate plus 2 percentage points.

(3) A mortgage interest rate, for the first 5-year period under the first lease of a newly constructed facility, equal to the lesser of:

(a) The moving average of the previous 6 months for the Treasury Bond Composite (greater than 10 years) rate on the provider's original lease date plus 3.5 percentage points, unless the original financing by the owner of the facility was tax exempt in which case 70 percent of the average of the previous 6 months for the Treasury Bond Composite (greater than 10 years) rate plus 3.5 percentage points; or

(b) The moving average of the previous 24 months for the Treasury Bond Composite (greater than 10 years) rate on the provider's original lease date plus 3.5 percentage points, unless the original financing by the owner of the facility was tax exempt in which case 70 percent of the average of the previous 24 months for the Treasury Bond Composite (greater than 10 years) rate plus 3.5 percentage points.

(4) A lease with the owner of the facility. If the provider has a sublease with a previous provider, the original lease date of the previous provider with the owner of the facility shall apply to §I(1) - (3) of this regulation.

(5) Property insurance and property taxes which are applicable to the patient-related facility assets when properly documented, whether paid by the lessor or lessee.

(6) Interest expense and related debt on any leasehold improvements with an initial debt in excess of \$50,000 when properly documented.

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COMAR 10.09.10.10L/10.09.11.10L

L. The net capital value rental for those facilities which are subject to rate determination under §C of this regulation is determined through the following steps:

(1) The Department or its designee shall appraise the value of the building and nonmovable equipment of each facility at least every 4 years using a "segregated cost" approach to determining reconstruction cost minus any physical deterioration and functional obsolescence as estimated through the "breakdown" method. Actual indexed construction costs in whole or in part which are 5 years old or less shall be used to the extent available in preference to the application of the "segregated cost" methodology.

(2) The Department or its designee shall appraise the value of the land of each facility at least every 4 years using a market value approach considering its highest valued use as a nursing home.

(3) If the provider elects to protest an appraisal under §L(1) or (2) of this regulation, written notification shall be filed with the Department within 90 days of receipt of the appraisal. Any protest which cannot be resolved administratively shall be turned over to the appeal board for review under the provisions of Regulation .14D of this chapter.

(4) The allowable portion of the combined appraised value for land, building, and nonmovable equipment may not exceed a specified limit. This limit shall be established at \$22,000 per licensed bed for March 1981, and shall be indexed forward as determined from §J of this regulation.

(5) Facilities owned by the State need not be appraised, but shall have their capital values set at the limit established in §L(4) of this regulation. Under the provisions of §F of this regulation, facilities owned by the State shall be assumed to have no debt.

(6) The allowance for movable equipment shall be:

(a) Established at \$2,200 per licensed bed for March 1981;

(b) Indexed forward as determined from §J of this regulation;  
and

(c) Added to the appraised value determined from §L(1), (2), (4), and (5) of this regulation.

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(7) The allowance for movable equipment will exclude all items which:

(a) Are regularly replenished or stocked, consumed in their use or have a one-time use, or useful for a lifetime of less than 2 years; or

(b) Have an historical or aggregate historical cost of less than \$500.

(8) The amount of the allowable mortgage debt as of the midpoint of the fiscal year shall be subtracted from the allowable appraised value from §L(6) of this regulation in order to establish the value of the net capital.

(9) The debt information to be used in §L(8) of this regulation shall be supplied to the Department or its designee by each facility in the form of a monthly amortization schedule within 60 days of the establishment of the debt.

(10) The value of the net capital from §L(8) of this regulation shall be multiplied by 0.0787 in order to generate the net capital value rental.

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COMAR 10.09.10.20 10.09.11.20

20 Table of Indices - Administrative and Routine Costs.

Cost Category	Associated Price Index
Salary and wages - Administrative Medical records Inservice training	Consumer Price Index for All Urban Consumers (CPI-U), All Items, Baltimore, from U.S. Department of Labor, Bureau of Labor Statistics, CPI Detailed Report, Table 16.
Administrative employee benefits	Ratio of total benefits to total wages for administrative and office personnel from providers' desk-reviewed annual cost reports. The proportional change in the ratio is converted to a proportional change in benefits by taking the sum of the proportional ratio change, the proportional salary index change, and the product of the two.
Administrative supplies Central office overhead Dues and subscriptions Adjustments not related to specific administrative accounts	CPI-U, Commodity and Service Group Index for Nondurables Less Food and Beverages, Baltimore, from CPI Detailed Report, Table 16.
Management services Nonproperty insurance Business taxes and licenses Auto expenses Legal and accounting expenses Travel Communications Data Processing	CPI-U, Special Index for Services Less Medical Care, Baltimore, from CPI Detailed Report, Table 16.

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Cost Category	Associated Price Index
Contracted services Other administrative expenses	CPI-U, Nursing Homes and Adult Daycare, from CPI Detailed Report, Table 4.
Interest - Working capital Auto loans	Prime rate on short-term business loans, earliest date available for the month, from economic indicators prepared for the Joint Economic Committee by the Council of Economic Advisors.
Salaries and wages - Dietary Laundry Housekeeping Plant operations and maintenance Contracted services - Dietary Laundry Housekeeping	CPI-U, All Items, Baltimore, from CPI Detailed Report, Table 16.
Routine employee benefits	Ratio of total benefits to total wages for dietary, laundry, housekeeping, and maintenance personnel from providers' desk-reviewed annual cost reports. The proportional change in the ratio is converted to a proportional change in benefits by taking the sum of the proportional ratio change, the proportional salary index change, and the product of the two.
Routine supplies - Dietary Laundry Housekeeping Linen replacement Other routine expenses	CPI-U, household furnishing and operation component, Baltimore from CPI-U Detailed Report, Table 16

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Cost Category	Associated Price Index
Supplies - Operation and plant maintenance	CPI-U, maintenance and repairs component
Repairs and maintenance	from CPI Detailed Report, Table 4.
Contracted services - Operation and plant maintenance	
Minor equipment	
Adjustments not related to specific routine accounts	
Utilities	CPI-U, fuels and other utilities component, Baltimore. from CPI Detailed Report, Table 16.

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21 Table of Indices - Other Patient Care Costs.

Cost Category	Associated Price Index
Salaries and wages - Physician care Patient care consultant	CPI-U, physicians' services component from CPI Detailed Report, Table 4.
Contracted services - Physician care Patient care consultant	
Salaries and wages - All remaining other patient care	CPI-U, All Items, Baltimore, from CPI Detailed Report, Table 16.
Contracted services - All remaining other patient care	
Employee benefits	Ratio of total benefits to total wages for salaried Other Patient Care personnel from providers' desk- reviewed annual cost reports. The proportional change in the ratio is converted to a proportional change in benefits by taking the sum of the proportional ratio change, the proportional salary index change, and the product of the two.
Supplies OTC Drugs Other	CPI-U, nonprescription medical equipment and supplies component from CPI Detailed Report, Table 4.
Adjustments not related to specific accounts	
Raw food	CPI-U, food at home component, Baltimore, from CPI Detailed Report, Table 16.

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COMAR 10.09.10.22/10.09.11.22

.22 Table of Indices - Capital Costs.

Cost Category	Associated Price Index
Real property tax	CPI-U, owner's equivalent rent component from CPI Detailed Report, Table 4.
Property insurance	CPI-U, household insurance component from CPI Detailed Report, Table 4.
Land value	Maryland land value statistics from the Bureau of Appraisal Review, Office of Real Estate, State Highway Administration, Department of Transportation.
Building value Appraisal ceiling	Quarterly Index for Construction, Baltimore, from Marshall Valuation Service - mean of indices for reinforced concrete and masonry bearing walls.
Equipment Allowance	Quarterly Index for Hospital Equipment from Marshall Valuation Service.
Depreciation Leases Rentals Amortization of leasehold improvements Adjustments not related to specific accounts	Not indexed.

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COMAR 10.09.10.23/10.09.11.23

.23 Table of Indices - Nursing Service Costs.

Cost Category	Associated Price Index
Salaries and wages - Registered nurses/directors of nursing Licensed practical nurses Nurse aides/certified medication aides	Mean hourly mean wages for nursing personnel in Maryland Medicaid nursing home providers for each reimbursement class from the Medical Care Programs Annual Wage Survey.
Employee benefits	Ratio of total benefits to total wages for nursing personnel from providers' desk- reviewed annual cost reports. The proportional change in the ratio is converted to a proportional change in benefits by taking the sum of the proportional change in the ratio, the proportional salary index change, and the product of the two.
Supplies Contracted services Other Adjustments not related to specific accounts	CPI-U, medical care component, Baltimore, from CPI Detailed Report, Table 16.

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